

To: File

From: Michael Jensen, DOE GC-71

Date: August 17, 2010

Re: Ex parte discussion with State of Georgia Manufactured Housing Division

On August 17, 2010, Michael Jensen (GC-71), Saralyn Bunch (EE-2J), Harry Indig (EE-2J), Bob Lucas (PNL), and Dave Conover (PNL) spoke with Chris Stephens, Commissioner of Insurance in the Georgia Manufactured Housing Section, and Nolan Courson, the Georgia Production Inspection Primary Inspection Agency (IPIA) designee, on Georgia's role as both a State Administrative Agency (SAA) and as an IPIA under the U.S. Department of Housing and Urban Development (HUD) manufactured housing program.

First, Mr. Stephens explained that Georgia fulfills three general responsibilities as an SAA: (1) monitoring the industry and assisting consumers in remedying defects in the construction of manufactured homes; (2) ensuring that homes comply with designs approved by design approval primary inspection agencies (DAPIAs); and (3) performing installation inspections. Mr. Stephens noted that each manufactured home sold contains a manual, which the public can use to contact a particular SAA to report a complaint with the home. He further noted that consumers often will contact the manufacturer or HUD with a complaint, but that the consumer is then referred to the SAA. Mr. Stephens mentioned that Georgia will perform site inspections based on complaints received and had investigated 128 of the 143 complaints to date that the state has received this year. Mr. Stephens noted that Georgia used to receive 700 to 800 consumer complaints in a year, but that this number had decreased to an average of 150 complaints per year due to decreases in manufactured home production. He noted that the two most common energy-related complaints were that HVAC system piping was not insulated or sealed properly and that the sections of multi-section homes were not placed together properly. Finally, Mr. Stephens mentioned that Georgia also performs monthly IPIA file reviews to ensure that manufacturers are adequately responding to in-state and out-of-state consumer complaints.

Mr. Stephens acknowledged that Georgia has not undertaken an official enforcement action in roughly five years and that three enforcement actions had been pursued since 1997. He explained that the low numbers were due to the ease with which problems were resolved in the state due, in part, to Georgia's ability to fine manufacturers, revoke their licenses, and to mandate that a manufacturer perform multiple inspections of manufactured homes. Mr. Stephens stated that Georgia is required to inspect at least one home per year of a manufactured home license-holder. He noted that Georgia also requires installers to submit monthly reports of all homes installed within the state.

Regarding the certification process, Mr. Stephens noted that manufactured homes have to meet stringent standards and that many manufacturers participate in the ENERGY STAR program. He suggested that, if DOE were to require third-party inspections, the agency should consider requiring manufacturers to submit designs to DOE for approval so that the agency could ensure that the manufacturer would build homes consistent with DOE's

energy standards. Mr. Stephens mentioned that the greatest cost to manufacturers is having to make repairs in the field and that a system where DOE would assess fines after performing random site inspections would give a strong incentive to the manufactured housing industry to comply quickly with DOE's energy efficiency standards. Mr. Stephens also noted that Georgia performs joint SAA-IPIA site inspections and also authorizes other IPIAs to inspect manufactured homes as part of HUD's alternative construction certification process.

Mr. Stephens then discussed the issue of fees assessed both by HUD and by Georgia. He noted that HUD pays Georgia \$2.50 for every manufactured home produced within the state and pays the state \$9.00 for every manufactured home shipped to Georgia from another state. He also explained that manufacturers pay Georgia \$30.00 per certification label (with a \$15.00 re-inspection fee) per manufactured home floor and that Georgia assesses a fee of \$60.00 per permit for every manufactured home that is installed in the state. He also noted that Georgia's annual license fee for manufacturers is \$440.00, the annual license fee for installers is \$300.00, and that the annual license fee for retailers and retail brokers is \$300.00 for each retail location. Mr. Stephens noted that, in total, Georgia received roughly \$340,000 in fees to fund the SAA program and approximately \$300,000 from manufacturers as part of Georgia's role as an IPIA. Mr. Stephens stressed that Georgia has had difficulty operating under this purported self-sustaining budget and noted that private IPIAs often charge much higher inspection fees than does Georgia. He recommended that DOE ensure that any fees charged by the agency for its program would offset the costs of services in order to attract state agencies and state third-party inspectors to the DOE program.

Mr. Stephens noted that six production lines and manufacturing facilities currently are in operation within the state, down from 48 production lines in 33 facilities in 1997. Mr. Stephens explained that every manufacturer must be certified by the Georgia IPIA before building manufactured homes, such that the state is responsible for certifying that manufacturers can build homes in compliance with the HUD Code. He explained that Georgia performs an initial certification of plants and requires recertification if certain changes are made in the plant or if the IPIA discovers that a manufacturer is incapable of building homes to the HUD standards. Mr. Stephens mentioned that Georgia currently is in the process of reevaluating each plant within the state. Mr. Stephens stated that installers in the state are required to undertake an initial training class and pass an exam given by the state. Installers also are required to perform a minimum of eight hours of continuing education each year based on common problems that Georgia has found in the field. Finally, Mr. Stephens noted that states that participate in the HUD program (as well as IBTS) are meeting in Washington, DC, in mid-September 2010, and that DOE might consider attending the conference in order to meet with and learn from other HUD program states.

End of conversation.